



Consumer Alert

The Rate Case – How Utility Rates Are Set

Overview of Rate Case Process

Michigan law requires some regulation of most utility companies doing business in Michigan. The Michigan Public Service Commission (MPSC) regulates natural gas and electric companies, rural electric cooperatives, and some telephone and trucking services.

A regulated natural gas or electric company must first obtain approval from the Commission when it wants to increase the rates it charges its customers. The company starts the MPSC rate case process by filing its request with the Executive Secretary Section.

A rate case is a legal process carried out much like a trial in a courtroom. An administrative law judge (ALJ) presides at the hearing. Parties are represented by attorneys. Hearings are conducted similar to proceedings in civil and other courts. However, a jury is not seated, and the ALJ does not render the final decision. The presiding ALJ issues his/her decision in a proposal for decision (PFD). Parties respond to the decision by filing exceptions to the PFD. The case is then "ripe" for a Commission decision. The Commission renders the final decision and order in all rate cases.

Basic issues of utility pricing usually include:

1. How much, if at all, a company should be permitted to revise its rates.
2. Which group of customers (that is, residential, commercial, or industrial) will see changes in their rates, and the respective rates.

Participants

Parties to the rate case most often include the following:

- ◆ the utility company,
- ◆ Michigan Public Service Commission staff, and
- ◆ parties, intervenors.

The Rate Case Step-by-Step

Utility Files for a Rate Change

The utility company files its application for a rate change.

Public Notice

Public hearings are scheduled and notices of hearing are published.

- ◆ Anyone may file a petition to participate and, if approved, becomes a party to the case.
- ◆ MPSC auditors review the applicant's financial books and records.
- ◆ MPSC staff and parties study the rate request, ask and answer written questions, prepare evidence, and submit testimony.

Public Hearing

The utility company presents proof in a courtroom setting before the presiding ALJ.

- ◆ MPSC staff and parties present their evidence and witnesses.
- ◆ All parties may ask questions of any witness.
- ◆ All parties may present written arguments.

ALJ Issues Proposal for Decision

The ALJ issues a PFD. Parties may file exceptions to the PFD.

Commission Issues Order

The Commission prepares and issues its opinion and order.

Order May Be Appealed

Parties may appeal the order:

- ◆ to the MPSC by requesting a rehearing or a reconsideration of the order; or
- ◆ to the court of appropriate jurisdiction.

